

## Message Text

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ORIGIN XMB-04

INFO OCT-01 EUR-12 ISO-00 EB-07 COME-00 PM-05 TRSE-00  
INR-07 NSC-05 SS-15 /056 R

DRAFTED BY EXIM: R J ALBRIGHT:DJG  
APPROVED BY EB:PHBOEKER  
EXIM: J L MOORE  
EXIM: W W GLICK  
EXIM: E J O'CONNOR  
EB/IFD/O F;MVCREEKMORE  
EUR/EE:CSCHMIDT  
-----122438 200141Z /64  
P 200018Z JUL 77  
FM SECSTATE WASHDC  
TO AMEMBASSY BELGRADE PRIORITY

C O N F I D E N T I A L STATE 168813

E.O. 11652: 11652/GDS

TAGS: EFIN, US, YO

SUBJECT: NATIONAL BANK GUARANTEE FOR EXIMBANK

REF: BELGRADE 4609

FOR THE AMBASSADOR  
JOINT STATE/EXIM MESSAGE

1. CHAIRMAN MOORE RECONFIRMS THAT EXIM INTENTION FROM THE TIME YUGOSLAVIA RAISED THE NATIONAL BANK GUARANTEE ISSUE IN MARCH HAS BEEN TO WELCOME EXCHANGE OF SUBSTANTIVE VIEWS WHICH WOULD SEEK TO ACCOMODATE THE NEEDS OF BOTH SIDES. WE HAVE REVIEWED THE CURRENT SITUATION AND YOUR REFTEL TO DEVELOP AN APPROACH TO MAKE THIS EVEN CLEARER TO THE YUGO-SLAVS AND TO MOVE AHEAD IN RESOLVING THIS ISSUE AS  
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CONSTRUCTIVELY AS POSSIBLE.

2. EXIMBANK HAS BEEN PROCEEDING ON THE BASIS OF THE PERSONAL ASSURANCE FROM FINANCE MINISTER CEMOVIC THAT THE NB GUARANTEE PROCEDURE WOULD NOT BE MODIFIED PENDING THE OUTCOME OF A DIALOGUE BETWEEN EXIM AND YUGOSLAVIA. EXIM PROPOSED MEETING IN APRIL ON THE ISSUE BUT CEMOVIC HIMSELF

POSTPONED THE DISCUSSION TO SEPTEMBER. ON JULY 14 EXIM WAS INFORMED BY THE YUGOSLAV INVESTMENT BANK THAT QUOTE

YUGOSLAV COMPETENT AUTHORITIES GAVE THE NECESSARY APPROVAL CONCERNING THE ISSUANCE OF NB UNDERTAKING ON JUNE 30, 1977 IN CONNECTION WITH CREDIT TO JAT UNQUOTE (I.E. CURRENT APPLICATION FOR AN EXIM PC COVERING 40 MILLION DOLLAR PURCHASE OF ONE DC-10). WE CONSIDER THE YUGOSLAV ACTION ON THE DC-10 TO BE A GOOD-FAITH STEP. WE BELIEVE IT IS IMPORTANT TO KEEP THE NEXT CONTACTS WITH CEMOVIC PERSONALLY. THE OBJECTIVE IS TO OBTAIN A POLITICAL SIGNAL AT THE MINISTERIAL LEVEL SO THAT SUBSEQUENT TECHNICAL STAFF TALKS CAN PROCEED SHORTLY THEREAFTER.

3. ACCORDINGLY, AS NEXT STEP, WE REQUEST THAT EMBASSY MEET WITH FINANCE MINISTER CEMOVIC PERSONALLY TO PRESENT ORALLY THE FOLLOWING VIEWS OF CHAIRMAN MOORE. EXIM CONTINUES TO WELCOME AN EXCHANGE OF SUBSTANTIVE VIEWS ON THE NATIONAL BANK GUARANTEE QUESTION. IN RESPONSE TO MINISTER CEMOVIC'S REQUEST MR. MOORE INVITES CEMOVIC TO MEET WITH HIM AT EXIM WHEN CEMOVIC IS IN WASHINGTON FOR MEETINGS ALREADY BEING PLANNED WITH U.S. OFFICIALS BEGINNING SEPTEMBER 21. EXIM REGARDS THE APPROVAL FOR THE NB GUARANTEE TO BE ISSUED FOR THE JAT DC-10 AS WELCOME EVIDENCE OF GOY DESIRE TO WORK OUT MUTUALLY ACCEPTABLE SOLUTION TO THIS QUESTION IN A DIALOGUE WITH EXIM. EXIM REGRETS THAT IT WILL NOT BE ABLE TO SEND A CONFIDENTIAL

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TEAM TO BELGRADE FOR TALKS BEFORE THE SEPTEMBER MEETINGS IN WASHINGTON. HOWEVER, EXIM POINTS OUT THAT A REVIEW OF APPLICATIONS INDICATES THAT OTHER THAN ACTION ON THIS JAT CASE EXIM NEED NOT TAKE ANY BOARD ACTION BEFORE THE SEPTEMBER MEETING WHICH WOULD CALL FOR NEW NB GUARANTEES, AND THAT ABSENCE OF SUCH BOARD ACTION SHOULD NOT WORK ANY HARDSHIP ON YUGOSLAV OR U.S. COMPANIES.

4. FYI EXIM HAS MADE A FURTHER REVIEW WHICH RECONFIRMS ITS BELIEF THAT WHATEVER ALTERNATIVES TO PRESENT PROCEDURES MAY BE DEVELOPED DURING A DIALOGUE THE FULL FAITH AND CREDIT OF THE FEDERAL GOVERNMENT ULTIMATELY SHOULD STILL STAND BEHIND BOTH THE AVAILABILITY OF ENOUGH DINARS TO SERVICE ANY INDEBTEDNESS TO EXIM AS WELL AS THE AVAILABILITY OF ENOUGH DOLLARS INTO WHICH THOSE DINARS WILL BE CONVERTED. THE NEW YUGOSLAV LEGAL SITUATION MAY REQUIRE DIFFERENT PROCEDURES FROM THE PRESENT ONES TO ACHIEVE THIS OBJECTIVE. MUCH WILL DEPEND UPON WHAT THE YUGOSLAVS ARE WILLING TO PROPOSE IN VIEW OF THEIR KNOWLEDGE OF THEIR LAW. THUS, YOU WILL NOTICE THAT EXIM CAN NOT INDICATE AT THIS TIME WHAT POSSIBLE ALTERNATIVE PROCEDURES IT MIGHT BE ABLE TO ACCEPT, BUT IT WANTS TO WORK OUT SOMETHING MUTUALLY SATISFACTORY.

END FYI. VANCE

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## Message Attributes

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**Review Markings:**  
Margaret P. Grafeld  
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